



**CHRISTIAN COUNTY, MISSOURI
YEAR ENDED DECEMBER 31, 2002**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2003-100
September 29, 2003
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2003

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties which do not have a county auditor. The State Auditor had performed an audit of Christian County for the two years ended December 31, 2001. As Christian County became a second-class county with a County Auditor in 2003, this final state audit is only for the year ended December 31, 2002.

This audit of Christian County was a financial and compliance audit of various county operating funds. The following concerns were noted as part of the audit:

- The county has experienced significant growth in revenues and expenditures of the General Revenue Fund; however, the county has spent more than it received during the last two years, resulting in a significant decline in the General Revenue Fund's cash balance. In addition, the General Revenue Fund's 2003 budget projects a zero ending cash balance, as all revenues and the beginning balance have been appropriated.

A contributing factor to the weakening financial condition of the General Revenue Fund is the distribution of about \$1 million of the county's one-half cent general sales tax to the Special Road and Bridge Fund, special road districts, and cities. Other significant factors include salary increases ranging from 3 to 35 percent for county employees and the addition of approximately 35 new employees resulting in approximately \$1 million in salary and fringe benefit increases in 2002. In addition, transfers from General Revenue to supplement other county funds have increased. Prisoner board revenues fell short of budget estimates but law enforcement expenses increased. The County Commission should closely monitor the financial condition of the county taking the necessary steps to improve the financial condition of the General Revenue Fund.

- Bids were not always solicited in accordance with statute nor was bid documentation always retained for various purchases. In addition, controls over county expenditures need improvement, as various questionable expenditures were noted, including the payments of compensatory time to employees that did not follow county policy. Further, supporting documentation was not retained for several expenditures, and some invoices were not paid timely. Considering the financial condition of the General Revenue Fund, all county officials should be using extreme diligence when directing the use of county resources.

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- Improvement is needed in the preparation of the county's budgets. Budgets for some funds did not include all available beginning cash balances and did not adequately reflect the anticipated financial condition. Expenditures exceeded budgeted amounts for several funds, and budgets were not prepared for some funds.
- The county does not have specific procedures in place to track federal assistance for preparation of the Schedule of Federal Awards (SEFA). The county's SEFA schedule contained numerous errors and omissions including only reporting 8 of 18 federal programs resulting in federal grant expenditures being understated by \$258,700.
- The County Commission does not maintain adequate minutes of its meetings. Minutes do not exist for some scheduled County Commission meetings, and during April and May 2003 the County Commissioners did not have a secretary and only unofficial, manual notes were maintained of motions made.

The audit also includes some matters related to county sales tax, county expenditures, personnel and payroll procedures, computer controls, general fixed assets, and the Senior Services Board.

All reports are available on our website: www.auditor.state.mo.us

CHRISTIAN COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Christian County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Christian County, Missouri, as of and for the year ended December 31, 2002. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Christian County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the year ended December 31, 2002, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated July 31, 2003, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

July 31, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Rachel A. Simons
Audit Staff:	Sandi Ohern, CPA



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Christian County, Missouri

We have audited the financial statements of various funds of Christian County, Missouri, as of and for the year ended December 31, 2002, and have issued our report thereon dated July 31, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of various funds of Christian County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-2. We also noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Christian County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However,

we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 02-1 and 02-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above, finding numbers 02-1 and 02-2, to be material weaknesses. We also noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Christian County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

July 31, 2003 (fieldwork completion date)

Financial Statements

Exhibit A

CHRISTIAN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2002

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 1,091,641	2,989,293	3,442,942	637,992
Special Road and Bridge	997,577	2,996,138	2,537,300	1,456,415
Assessment	7,229	492,660	497,175	2,714
Law Enforcement Training	7,749	7,989	13,483	2,255
Prosecuting Attorney Training	3,390	4,802	5,837	2,355
CART	3,000	345,199	345,199	3,000
County Law Enforcement	10,281	2,493,467	2,541,143	(37,395)
Emergency 911	51,501	477,616	556,595	(27,478)
Federal Forfeiture #1	29,666	341	29,975	32
Family Violence	0	2,585	2,585	0
Prosecuting Attorney Administrative Fee	43,440	11,555	4,195	50,800
Building	3,435,453	43,945	1,637,556	1,841,842
Recycling	(876)	34,364	35,118	(1,630)
Local Emergency Planning Commission	9,118	2,980	3,123	8,975
Sales Tax	0	1,390,092	1,390,092	0
Building Bond Retirement	533,950	1,135,081	1,048,053	620,978
Record Retention	29,121	47,779	40,863	36,037
Family Access	422	7	0	429
Record Technology	11,594	29,749	18,322	23,021
Tax Maintenance	0	5,494	0	5,494
Sheriff Civil Fee	100	0	0	100
Federal Forfeiture #2	1,077	606	1,680	3
Election Service	0	1,665	0	1,665
Health Center	445,697	748,808	660,397	534,108
Senate Bill 40 Board	227,797	424,796	509,450	143,143
Senior Services Board	23,731	248,421	190,951	81,201
Associate Circuit Division I Interest	4,940	517	2,233	3,224
Associate Circuit Division II Interest	4,524	728	3,558	1,694
Law Library	16,673	4,228	5,335	15,566
Probate Division Interest	961	65	703	323
Total	\$ 6,989,756	13,940,970	15,523,863	5,406,863

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

CHRISTIAN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,		
	2002		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>			
RECEIPTS	\$ 15,200,336	13,933,161	(1,267,175)
DISBURSEMENTS	16,912,236	15,510,354	1,401,882
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,711,900)	(1,577,193)	134,707
CASH, JANUARY 1	5,193,388	6,961,481	1,768,093
CASH, DECEMBER 31	3,481,488	5,384,288	1,902,800
<u>GENERAL REVENUE FUND</u>			
RECEIPTS			
Sales taxes	1,200,000	1,121,947	(78,053)
Intergovernmental	212,000	299,530	87,530
Charges for service:	1,193,500	1,413,028	219,528
Interest	50,000	41,333	(8,667)
Other	148,000	113,455	(34,545)
Total Receipts	2,803,500	2,989,293	185,793
DISBURSEMENTS			
County Commissior	122,340	123,969	(1,629)
County Clerk	137,040	119,546	17,494
Elections	197,520	131,531	65,989
Buildings and grounds	163,570	234,171	(70,601)
Employee fringe benefit	281,000	320,050	(39,050)
County Treasurer	63,740	61,689	2,051
County Collector	160,793	151,061	9,732
Ex Officio Recorder of Deed	167,880	143,525	24,355
Associate Circuit Court	29,420	26,916	2,504
Associate Circuit (Probate)	57,025	45,157	11,868
Court administration	99,076	76,998	22,078
Public Administrator	60,140	56,907	3,233
University Extension Office	53,380	55,623	(2,243)
Planning and Zoning	112,676	113,116	(440)
Other	162,310	157,568	4,742
Prosecuting Attorney	317,491	349,096	(31,605)
Juvenile Officer	126,830	96,150	30,680
County Coroner	36,800	30,817	5,983
Emergency Management	12,450	11,342	1,108
Transfers out	1,194,740	1,124,640	70,100
Emergency Fund	100,000	13,070	86,930
Total Disbursements	3,656,221	3,442,942	213,279
RECEIPTS OVER (UNDER) DISBURSEMENTS	(852,721)	(453,649)	399,072
CASH, JANUARY 1	1,091,691	1,091,641	(50)
CASH, DECEMBER 31	238,970	637,992	399,022

Exhibit B

CHRISTIAN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,		
	2002		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>			
RECEIPTS			
Sales taxes	3,000,000	1,975,748	(1,024,252)
Intergovernmental	1,158,000	952,175	(205,825)
Interest	65,000	26,922	(38,078)
Other	30,000	41,293	11,293
Total Receipts	4,253,000	2,996,138	(1,256,862)
DISBURSEMENTS			
Salaries	465,000	509,225	(44,225)
Employee fringe benefit	143,000	167,228	(24,228)
Supplies	121,000	110,958	10,042
Insurance	0	21,501	(21,501)
Road and bridge materials	1,724,124	1,233,441	490,683
Equipment repairs	141,000	101,941	39,059
Rentals	13,000	20,832	(7,832)
Equipment purchases	350,000	254,980	95,020
Construction, repair, and maintenance	820,000	71,930	748,070
Other	38,200	45,264	(7,064)
Total Disbursements	3,815,324	2,537,300	1,278,024
RECEIPTS OVER (UNDER) DISBURSEMENTS	437,676	458,838	21,162
CASH, JANUARY 1	1,728,072	997,577	(730,495)
CASH, DECEMBER 31	2,165,748	1,456,415	(709,333)
<u>ASSESSMENT FUND</u>			
RECEIPTS			
Intergovernmental	365,000	408,396	43,396
Interest	2,000	1,068	(932)
Other	500	3,196	2,696
Transfers in	150,600	80,000	(70,600)
Total Receipts	518,100	492,660	(25,440)
DISBURSEMENTS			
Assessor	525,260	497,175	28,085
Total Disbursements	525,260	497,175	28,085
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,160)	(4,515)	2,645
CASH, JANUARY 1	7,851	7,229	(622)
CASH, DECEMBER 31	691	2,714	2,023

Exhibit B

CHRISTIAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,		
	2002		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>			
RECEIPTS			
Intergovernmental	4,500	3,527	(973)
Charges for service:	6,100	4,406	(1,694)
Interest	100	56	(44)
Total Receipts	10,700	7,989	(2,711)
DISBURSEMENTS			
Sheriff	18,449	13,483	4,966
Total Disbursements	18,449	13,483	4,966
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,749)	(5,494)	2,255
CASH, JANUARY 1	7,749	7,749	0
CASH, DECEMBER 31	0	2,255	2,255
<u>PROSECUTING ATTORNEY TRAINING FUND</u>			
RECEIPTS			
Intergovernmental	2,500	3,592	1,092
Charges for service:	1,500	1,174	(326)
Interest	100	36	(64)
Total Receipts	4,100	4,802	702
DISBURSEMENTS			
Prosecuting Attorney	7,490	5,837	1,653
Total Disbursements	7,490	5,837	1,653
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,390)	(1,035)	2,355
CASH, JANUARY 1	3,390	3,390	0
CASH, DECEMBER 31	0	2,355	2,355
<u>CART FUND</u>			
RECEIPTS			
Intergovernmental	361,276	345,155	(16,121)
Interest	100	44	(56)
Total Receipts	361,376	345,199	(16,177)
DISBURSEMENTS			
Road signs	25,000	8,823	16,177
Distribution to special road district:	336,376	336,376	0
Total Disbursements	361,376	345,199	16,177
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	13,294	3,000	(10,294)
CASH, DECEMBER 31	13,294	3,000	(10,294)

Exhibit B

CHRISTIAN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,		
	2002		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>COUNTY LAW ENFORCEMENT FUND</u>			
RECEIPTS			
Sales taxes	1,108,750	1,122,322	13,572
Intergovernmental	407,881	196,059	(211,822)
Interest	1,500	553	(947)
Other	13,000	41,893	28,893
Transfers in	1,133,640	1,132,640	(1,000)
Total Receipts	2,664,771	2,493,467	(171,304)
DISBURSEMENTS			
Salaries	1,559,216	1,562,567	(3,351)
Fringe benefits	488,705	304,986	183,719
Board of prisoners	314,000	271,094	42,906
Office expenditures	54,900	102,075	(47,175)
Insurance	53,000	63,129	(10,129)
Equipment	191,000	96,478	94,522
Mileage and training	5,000	102,354	(97,354)
Other	9,000	37,460	(28,460)
Transfers out	0	1,000	(1,000)
Total Disbursements	2,674,821	2,541,143	133,678
RECEIPTS OVER (UNDER) DISBURSEMENTS	(10,050)	(47,676)	(37,626)
CASH, JANUARY 1	10,435	10,281	(154)
CASH, DECEMBER 31	385	(37,395)	(37,780)
<u>EMERGENCY 911 FUND</u>			
RECEIPTS			
Charges for service	455,000	386,730	(68,270)
Interest	6,000	55	(5,945)
Other	0	2,831	2,831
Transfers in	85,500	88,000	2,500
Total Receipts	546,500	477,616	(68,884)
DISBURSEMENTS			
Salaries	341,000	328,170	12,830
Employee fringe benefit	105,000	83,395	21,605
Phone line charges	80,000	82,018	(2,018)
Office expenditures	3,000	3,123	(123)
Equipment	50,000	48,393	1,607
Mileage and training	5,500	2,174	3,326
Other	13,501	9,322	4,179
Total Disbursements	598,001	556,595	41,406
RECEIPTS OVER (UNDER) DISBURSEMENTS	(51,501)	(78,979)	(27,478)
CASH, JANUARY 1	51,501	51,501	0
CASH, DECEMBER 31	0	(27,478)	(27,478)

Exhibit B

CHRISTIAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,		
	2002		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>FEDERAL FORFEITURE #1 FUND</u>			
RECEIPTS			
Intergovernmental	15,000	0	(15,000)
Interest	1,000	341	(659)
Total Receipts	16,000	341	(15,659)
DISBURSEMENTS			
Sheriff	46,412	29,975	16,437
Total Disbursements	46,412	29,975	16,437
RECEIPTS OVER (UNDER) DISBURSEMENTS	(30,412)	(29,634)	778
CASH, JANUARY 1	30,412	29,666	(746)
CASH, DECEMBER 31	0	32	32
<u>FAMILY VIOLENCE FUND</u>			
RECEIPTS			
Charges for service:	2,500	2,585	85
Total Receipts	2,500	2,585	85
DISBURSEMENTS			
Domestic violence shelte	2,500	2,585	(85)
Total Disbursements	2,500	2,585	(85)
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	0	0	0
<u>PROSECUTING ATTORNEY ADMINISTRATIVE FEE FUND</u>			
RECEIPTS			
Charges for service:	11,000	10,819	(181)
Interest	1,200	736	(464)
Total Receipts	12,200	11,555	(645)
DISBURSEMENTS			
Prosecuting Attorney	55,000	4,195	50,805
Total Disbursements	55,000	4,195	50,805
RECEIPTS OVER (UNDER) DISBURSEMENTS	(42,800)	7,360	50,160
CASH, JANUARY 1	43,440	43,440	0
CASH, DECEMBER 31	640	50,800	50,160

Exhibit B

CHRISTIAN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

Year Ended December 31,			
2002			
	Budget	Actual	Variance Favorable (Unfavorable)
<u>BUILDING FUND</u>			
RECEIPTS			
Interest	5,000	43,945	38,945
Total Receipts	5,000	43,945	38,945
DISBURSEMENTS			
Buildings and grounds	953,143	1,637,280	(684,137)
Other	0	276	(276)
Total Disbursements	953,143	1,637,556	(684,413)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(948,143)	(1,593,611)	(645,468)
CASH, JANUARY 1	948,143	3,435,453	2,487,310
CASH, DECEMBER 31	0	1,841,842	1,841,842
<u>RECYCLING FUND</u>			
RECEIPTS			
Intergovernmental	5,000	5,987	987
Interest	150	73	(77)
Other	4,000	3,304	(696)
Transfers in	25,000	25,000	0
Total Receipts	34,150	34,364	214
DISBURSEMENTS			
Salaries	16,808	16,348	460
Employee fringe benefit	0	2,025	(2,025)
Equipment	7,500	13,786	(6,286)
Mileage and training	390	821	(431)
Office	4,500	2,138	2,362
Total Disbursements	29,198	35,118	(5,920)
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,952	(754)	(5,706)
CASH, JANUARY 1	(876)	(876)	0
CASH, DECEMBER 31	4,076	(1,630)	(5,706)
<u>LOCAL EMERGENCY PLANNING COMMISSION FUND</u>			
RECEIPTS			
Intergovernmental	3,500	2,849	(651)
Interest	300	131	(169)
Total Receipts	3,800	2,980	(820)
DISBURSEMENTS			
Office expenditure:	500	203	297
Equipment	11,918	1,920	9,998
Mileage and training	1,000	1,000	0
Total Disbursements	13,418	3,123	10,295
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,618)	(143)	9,475
CASH, JANUARY 1	9,618	9,118	(500)
CASH, DECEMBER 31	0	8,975	8,975

Exhibit B

CHRISTIAN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,		
	2002		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>SALES TAX FUND</u>			
RECEIPTS			
Sales taxes	1,390,092	1,390,092	0
Total Receipts	1,390,092	1,390,092	0
DISBURSEMENTS			
Disbursements to special road districts and citie	1,390,092	1,390,092	0
Total Disbursements	1,390,092	1,390,092	0
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	0	0	0
<u>BUILDING BOND RETIREMENT FUND</u>			
RECEIPTS			
Sales taxes	1,098,087	1,122,543	24,456
Interest	10,000	12,538	2,538
Total Receipts	1,108,087	1,135,081	26,994
DISBURSEMENTS			
Equipment	200,000	52,753	147,247
Debt service	750,000	795,300	(45,300)
Transfers out	200,000	200,000	0
Total Disbursements	1,150,000	1,048,053	101,947
RECEIPTS OVER (UNDER) DISBURSEMENTS	(41,913)	87,028	128,941
CASH, JANUARY 1	533,950	533,950	0
CASH, DECEMBER 31	492,037	620,978	128,941
<u>RECORD RETENTION FUND</u>			
RECEIPTS			
Charges for service:	42,000	47,202	5,202
Interest	800	577	(223)
Total Receipts	42,800	47,779	4,979
DISBURSEMENTS			
Ex Officio Recorder of Deed	71,000	40,863	30,137
Total Disbursements	71,000	40,863	30,137
RECEIPTS OVER (UNDER) DISBURSEMENTS	(28,200)	6,916	35,116
CASH, JANUARY 1	29,121	29,121	0
CASH, DECEMBER 31	921	36,037	35,116

Exhibit B

CHRISTIAN COUNTY, MISSOURI
 COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,		
	2002		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>FAMILY ACCESS FUND</u>			
RECEIPTS			
Charges for service:	0	0	0
Interest	0	7	7
Total Receipts	0	7	7
DISBURSEMENTS			
Family access	400	0	400
Total Disbursements	400	0	400
RECEIPTS OVER (UNDER) DISBURSEMENTS	(400)	7	407
CASH, JANUARY 1	422	422	0
CASH, DECEMBER 31	22	429	407
<u>RECORD TECHNOLOGY FUND</u>			
RECEIPTS			
Charges for service:	25,200	29,454	4,254
Interest	0	295	295
Total Receipts	25,200	29,749	4,549
DISBURSEMENTS			
Ex Officio Recorder of Deed	36,794	18,322	18,472
Total Disbursements	36,794	18,322	18,472
RECEIPTS OVER (UNDER) DISBURSEMENTS	(11,594)	11,427	23,021
CASH, JANUARY 1	11,594	11,594	0
CASH, DECEMBER 31	0	23,021	23,021
<u>TAX MAINTENANCE FUND</u>			
RECEIPTS			
Charges for service:	5,400	5,494	94
Total Receipts	5,400	5,494	94
DISBURSEMENTS			
Collector	5,400	0	5,400
Total Disbursements	5,400	0	5,400
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	5,494	5,494
CASH, JANUARY 1	0	0	0
CASH, DECEMBER 31	0	5,494	5,494

Exhibit B

CHRISTIAN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,		
	2002		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>HEALTH CENTER FUND</u>			
RECEIPTS			
Property taxes	243,000	237,962	(5,038)
Intergovernmental	344,317	337,085	(7,232)
Charges for service	126,000	153,557	27,557
Interest	14,000	15,588	1,588
Other	3,600	4,616	1,016
Total Receipts	730,917	748,808	17,891
DISBURSEMENTS			
Salaries	530,166	490,851	39,315
Office expenditures	24,500	23,110	1,390
Equipment	57,200	54,822	2,378
Mileage and training	4,000	3,894	106
Buildings and grounds	5,000	47,704	(42,704)
Other	60,051	40,016	20,035
Total Disbursements	680,917	660,397	20,520
RECEIPTS OVER (UNDER) DISBURSEMENTS	50,000	88,411	38,411
CASH, JANUARY 1	445,784	445,697	(87)
CASH, DECEMBER 31	495,784	534,108	38,324
<u>SENATE BILL 40 BOARD FUND</u>			
RECEIPTS			
Property taxes	400,000	420,689	20,689
Intergovernmental	0	42	42
Interest	9,000	4,065	(4,935)
Total Receipts	409,000	424,796	15,796
DISBURSEMENTS			
Contractual services	530,964	507,358	23,606
Office expenditures	36,975	2,092	34,883
Total Disbursements	567,939	509,450	58,489
RECEIPTS OVER (UNDER) DISBURSEMENTS	(158,939)	(84,654)	74,285
CASH, JANUARY 1	227,797	227,797	0
CASH, DECEMBER 31	68,858	143,143	74,285

Exhibit B

CHRISTIAN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,		
	2002		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>SENIOR SERVICES BOARD FUND</u>			
RECEIPTS			
Property taxes	253,143	245,425	(7,718)
Intergovernmental	0	637	637
Interest	0	2,359	2,359
Total Receipts	253,143	248,421	(4,722)
DISBURSEMENTS			
Office expenditures	3,200	710	2,490
Insurance	4,000	4,172	(172)
Equipment	28,150	14,660	13,490
Contractual services	194,000	161,548	32,452
Professional services	2,000	3,843	(1,843)
Other	21,731	6,018	15,713
Total Disbursements	253,081	190,951	62,130
RECEIPTS OVER (UNDER) DISBURSEMENTS	62	57,470	57,408
CASH, JANUARY 1	0	23,731	23,731
CASH, DECEMBER 31	62	81,201	81,139

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

CHRISTIAN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Christian County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, the Senate Bill 40 Board, or the Senior Services Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds during 2002:

Fund

Sheriff Civil Fee Fund
Federal Forfeiture #2 Fund
Election Service Fund
Associate Circuit Division I Interest Fund
Associate Circuit Division II Interest Fund
Law Library Fund
Probate Division Interest Fund

Warrants issued were in excess of budgeted amounts for the Family Violence Fund, Recycling Fund and the Building Fund in 2002. Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statement for the year ended December 31, 2002, did not include the Election Service Fund, Senate Bill 40 Board Fund or the Senior Services Board Fund.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2002 were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's deposits at December 31, 2002 were entirely covered by federal depositary insurance or by an irrevocable standby letter of credit issued by a Federal Home Loan Bank.

The Senate Bill 40 Board and Senior Service Board's deposits at December 31, 2002, were entirely covered by federal depositary insurance. However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Supplementary Schedule

Schedule

CHRISTIAN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,
			2002
U.S. DEPARTMENT OF NATIONAL DRUG CONTROL POLICY			
Passed through State Department of Public Safety			
7.unknown	High Intensity Drug Trafficking Area - Task Force	I1PMWP551	\$ 21,801
		I2PMWP551	29,590
	Program Total		51,391
U. S. DEPARTMENT OF AGRICULTURE			
Passed through state:			
Department of Health and Senior Services-			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-2121	95,698
		ERS045-3121W	28,338
	Program Total		124,036
10.559	Summer Food Service Program for Childrer	ERS146-2121I	120
Office of Administration -			
10.665	Schools and Roads - Grants to States	N/A	107,697
U.S. DEPARTMENT OF JUSTICE			
Direct programs:			
16.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	29,975
Passed through:			
Missouri Sheriffs' Association -			
16.unknown	Domestic Cannabis Eradication/Suppression Program	N/A	2,028
Cape Girardeau County Sheriff's Office -			
16.580	Edward Byrne Memorial State and Local Law Enforcemen Assistance Discretionary Grants Program	2000DDVX0055	6,242
U. S. DEPARTMENT OF TRANSPORTATION			
Passed through state:			
Highway and Transportation Commission			
20.205	Highway Planning and Construction	BRO-022(6)	949
Division of Highway Safety			
20.unknown	Mini-Grant DWI Saturation	02-164-AL-89	17,268

Schedule

CHRISTIAN COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures
			Year Ended December 31,
			2002
U.S. DEPARTMENT OF TREASURY			
Direct Programs:			
20.unknown	Equitable Sharing of Seized and Forfeited Property	N/A	1,680
GENERAL SERVICES ADMINISTRATION			
Passed through state Office of Administration			
39.003	Donation of Federal Surplus Personal Property	N/A	571
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Passed through state Department of Public Safety			
83.544	Public Assistance Grants	FEMA-1412-DR-MO	58,930
83.552	Emergency Management Performance Grants	EMK-2002-GR-2523	3,869
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through state:			
Department of Health and Senior Service -			
93.268	Immunization Grants	N/A	57,335
		PGA064-2121A	6,145
		PGA064-3131A	1,600
	Program Total		65,080
Department of Social Services -			
93.563	Child Support Enforcement	N/A	17,309
Department of Health and Senior Services -			
93.575	Child Care and Development Block Gran	PGA067-2121S	2,685
		PGA067-3121S	560
		PGA067-2121C	1,695
	Program Total		4,940
Department of Social Services -			
93.667	Social Services Block Gran	N/A	50
Department of Health and Senior Services -			
93.994	Maternal and Child Health Service: Block Grant to the States	N/A	533
		ERS146-2121M	19,277
		ERS146-3121M	6,393
		ERS175-2014F	12,678
		ERS175-3012F	5,576
	Program Total		44,457
	Total Expenditures of Federal Award:		\$ 536,592

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule

Notes to the Supplementary Schedule

CHRISTIAN COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Christian County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Donation of Federal Surplus Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt.

Amounts for Immunization Grants (CFDA number 93.268), and the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

The county provided no federal awards to subrecipients during the year ended December 31, 2002.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the County Commission
and
Officeholders of Christian County, Missouri

Compliance

We have audited the compliance of Christian County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Christian County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002. However, the results of our auditing procedures disclosed an instance of

noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-3.

Internal Control Over Compliance

The management of Christian County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 02-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information and use of the management of Christian County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

July 31, 2003 (fieldwork completion date)

Schedule

CHRISTIAN COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEAR ENDED DECEMBER 31, 2002

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? x yes no

Reportable conditions identified that are
not considered to be a material weakness? yes x none reported

Noncompliance material to the financial statements
noted? x yes no

Federal Awards

Internal control over major programs:

Material weakness identified? yes x no

Reportable conditions identified that are
not considered to be material weakness? x yes none reported

Type of auditor's report issued on compliance for
major program(s): Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major program(s):

<u>CFDA or Other Identifying Number</u>	<u>Program Title</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.665	Schools and Roads – Grants to States
83.544	Public Assistance Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? yes x no

Section II - Financial Statement Findings

This section includes the audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

02-1.	Financial Condition
--------------	----------------------------

During the last several years, the county has experienced significant growth in the revenues and expenditures of the General Revenue Fund. Despite the growth in county revenues, the county has spent more than it received during the last two years and projects a similar situation during 2003, resulting in a decline of the cash balance as follows:

		Year ended December 31,			
		2003 Projected	2002 Actual	2001 Actual	2000 Actual
Beginning Balance	\$	637,992	1,091,641	1,279,893	1,136,662
Revenues		3,047,307	2,989,293	2,589,045	2,417,134
Expenditures		(2,681,142)	(2,318,302)	(1,922,873)	(1,735,903)
Transfers out		(1,004,157)	(1,124,640)	(854,424)	(538,000)
Ending Balance		0	637,992	1,091,641	1,279,893

As shown in the above table, the financial condition of the General Revenue Fund has declined significantly since 2000. In addition, the General Revenue Fund's 2003 budget projects a zero ending cash balance, as all revenues and the beginning balance have been appropriated. According to the County Treasurer's records, the General Revenue Fund has continued to decline as projected, as the balance at July 31, 2003 was \$497,975.

A significant factor in the decline of the financial condition of the General Revenue Fund was salary expenditures in 2002. The County Commission approved a salary matrix that provided salary increases ranging from approximately 3 to 35 percent for county employees.

In addition, approximately 35 new employees were hired in 2002 to operate the new judicial facility and other county offices. Salary and fringe benefit costs increased by approximately \$1 million for the year ended December 31, 2002.

The General Revenue Fund supplements several county funds by transferring monies as needed. Because of the increase in salary expenditures, more monies were transferred from the General Revenue Fund to other funds in comparison to prior years. Monies transferred from General Revenue to other funds for the three years ended December 31 were as follows:

	Transfers from General Revenue		
	2002	2001	2000
Assessment	\$ 80,000	80,000	60,000
County Law Enforcement	932,640	754,424	475,000
Emergency 911	87,000	0	0
Recycling	<u>25,000</u>	<u>20,000</u>	<u>3,000</u>
Total Transfers from General Revenue	<u>1,124,640</u>	<u>854,424</u>	<u>538,000</u>

The 2003 General Revenue Fund budget projects transferring only \$581,609 to the County Law Enforcement (COLE) Fund. However, the Building Bond Retirement Fund, which receives revenues from one of the county's ¼ cent law enforcement sales taxes, has budgeted to transfer \$500,000 to subsidize the COLE Fund in 2003. The Building Bond Retirement Fund was established to pay the bond principal and interest payments on the judicial facility. The County Commission determined that the revenues in the Building Bond Retirement Fund were sufficient to allow for a one-time transfer of the \$500,000 to the COLE Fund.

In addition to projecting a zero balance at December 31, 2003 in the General Revenue Fund, the county's 2003 budget for funds subsidized by the General Revenue Fund (Assessment, COLE, Emergency 911, and Recycling Funds) are also projected to be at or near zero at December 31, 2003. As a result, the county anticipates beginning 2004 with little or no cash for these funds.

Additional factors contributing to the weakening of the cash balance are as follows:

- In November 1996, county voters approved a ½ cent general county sales tax, which requires a reduction of county property taxes equivalent to 50 percent of the sales tax revenues. The County has rolled the general revenue property tax levy to zero, which resulted in a \$1.24 million property tax reduction in 2002; however, the General Revenue Fund has not benefited from the \$2.24 million the ½ cent sales tax generated, as \$1.1 million was transferred to the Special Road and Bridge Fund, special road districts, and cities. See MAR finding number 1.

- In the 2002 budget, the county estimated receiving \$327,000 in prisoner board revenues; however, only \$136,500 was generated for boarding other county's prisoners. Even though there was a shortfall in these revenues, the expenditures for the Sheriff's department increased by approximately \$600,000 from the prior year, causing the COLE Fund to end 2002 with a negative cash balance of \$37,395. Further, after hiring additional personnel in 2002, 11 jailers were laid off due to budget cuts in January 2003.
- During 2002, Emergency 911 Fund revenues did not reach budget estimates causing unanticipated additional transfers from the General Revenue Fund; however, even with the additional transfers, the Emergency 911 Fund still had a negative cash balance of \$27,478 at year-end. In addition, the Recycling Fund, (also supported by General Revenue) expended more than budgeted and had a year-end negative cash balance of \$1,630.
- The County Commission did not always solicit bids for major purchases, as noted in finding number 02-2. Considering the financial condition of the General Revenue Fund, all county officials should be using extreme diligence when directing the use of county resources.
- There were various questionable expenditures including the payments of compensatory time to employees that did not follow county policy (see MAR finding numbers 2 and 3). In addition, controls over expenditures need to be improved and discretionary disbursements such as \$2,162 paid for employee Christmas dinners should be evaluated.

Considering these factors, the County Commission should review disbursements and reduce discretionary spending as much as possible, evaluate controls and management practices to ensure efficient use of resources available to the county, and attempt to maximize all revenues in consideration of the General Revenue Fund's financial condition.

WE RECOMMEND the County Commission closely monitor the financial condition of the county taking the necessary steps to improve the financial condition of the General Revenue Fund and consider various alternatives of increasing revenues and reducing expenditures.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission provided the following response:

Although the county projects a zero balance on December 31, 2003, there is an Emergency Fund of \$91,500 as stipulated by state statutes. The utilities of the new judicial building were also a contributing factor in the weakening of the cash balance. The 2001 buildings and grounds expenditures were \$73,353. The 2002 buildings and grounds expenditures were \$234,171, which was over budget by \$70,601.

The county felt the salary schedule needed to be upgraded. The matrix was established and the county upgraded the pay scale in two short years. The 2004 budget plans for very small cost of living increases, if at all.

The 2003 budget was more realistic in budgeting the prisoner board revenues due to the enormous shortfall in the 2002 budget. The Recycling Fund is being closed to the General Revenue Fund to assure no negative balance at the end of the year.

The Commission has written a policy of bidding anything over \$4,500. However, some office holders do not understand that this means in a 90-day period. A memo will be sent addressing the need to abide by state statutes.

Since the county has become second-class, there is a county auditor. We expect the auditor to stay abreast of revenues and especially to monitor expenditures.

02-2.

Budgetary Procedures

Budgets were not adequately prepared for some county funds. Budgets for some funds did not include all available beginning cash balances and did not adequately reflect the anticipated financial condition. Expenditures exceeded budgeted amounts for several funds. In addition, budgets were not prepared for some county funds.

- A. The approved budgets for some county funds did not adequately reflect all available resources. For instance, the county failed to include bond funds used to construct the judicial center in the Building Fund's beginning cash balance, resulting in the balance being understated by approximately \$2.5 million. In addition, the Special Road and Bridge Fund budget overstated beginning cash by approximately \$730,500. Budgets for several smaller funds also included errors.

The former County Clerk could not identify where beginning balances presented in the budget were obtained. These errors could have been detected if reconciliations between the County Clerk's and County Treasurer's revenues, expenditures, and cash balances had been properly performed and if a thorough review of the final budget had been performed by the County Clerk and County Commission. The County Auditor reviewed the financial information provided by the County Treasurer and County Clerk to obtain accurate beginning balances to report in the 2003 budget. In addition, in 2003 the County Clerk and the County Treasurer began performing monthly reconciliations.

For the budget documents to be of maximum assistance to the county and to adequately inform the county residents of the operations and current financial position, the budgets should reflect actual total resources on hand at the beginning of the year.

- B. The approved budget documents for some county funds (including those prepared by elected officials) did not adequately reflect the anticipated financial condition for the year ended December 31, 2002. The County Commission typically budgets to spend all expected current revenues plus the prior year's ending cash balance for the smaller county funds, effectively zero budgeting the funds and allowing much latitude to county officials for discretionary expenses. For example, the anticipated ending cash balance for the Local Emergency Planning Commission and Tax Maintenance funds for December 31, 2002 were projected at zero, while the actual ending cash balances were \$8,975 and \$5,494, respectively. The County Commission should review these budgetary controls. This should include reviewing disbursements to identify further potential reductions in discretionary expenses, ensure attempts are made to maximize receipts, and budgeting to provide reasonable ending cash balances as a cushion against potential future financial strains.

To be of maximum assistance to the county and to adequately inform the public, the budgets should accurately reflect the anticipated receipts, expenditures and ending cash balance. The practice of routinely budgeting to spend the majority of all available resources decreases the effectiveness of the budget as a management planning tool and as a control over expenditures.

- C. Disbursements were approved in excess of budgeted amounts. The County Commission approved disbursements in excess of the budgeted amount during the year ended December 31, 2002, for the Building Fund (\$684,413), the Family Violence Fund (\$85), and the Recycling Fund (\$5,920). The Building Fund's budget was exceeded because amounts were not appropriated for equipment, architectural costs, and the balance of the construction costs for the new judicial facility. The Recycling Fund purchased a truck for \$6,000 that was not included in the budget.

It was ruled in State Ex. Rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

- D. The county does not have adequate procedures to ensure budgets are prepared for all county funds, and as a result, budgets were not prepared for various county funds for the year ended December 31, 2002. Although most of the unbudgeted funds are not under the direct control of the County Commission, budgets for these funds are needed to comply with statutory provisions.

Chapter 50, RSMo 2000, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds, the County Commission and other county officials would be able to more effectively evaluate all county financial resources.

WE RECOMMEND the County Commission:

- A. Ensure the budget document contains complete and accurate information about the county's finances and available resources and agrees to the County Treasurer's records. In addition, the County Commission and County Clerk should thoroughly review the budget document before it is finalized and filed with the State Auditor's Office.
- B. Estimate receipts and disbursements as reasonable as possible to the anticipated actual amounts so that the budget documents present a reasonable estimate of the county's financial plan and ending cash balances.
- C. Refrain from authorizing disbursements in excess of budgeted amounts. If valid reasons necessitate excess disbursements, the original budget should be formally amended.
- D. Along with other applicable officials, ensure budgets are prepared for all county funds as required by state law.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission provided the following responses:

- A. *Due to the lack of internal controls by the prior County Clerk, expenditures were often coded to funds that were not appropriate. We agree that accurate numbers are necessary to provide a good financial picture. When elected officials are unable to rely on the numbers provided, it is difficult, if not impossible, to establish a realistic budget.*
- B. *In the future, the budget will become a more professional financial tool and expenditures will be based on need, not want. When we prepared the 2003 budget, we budgeted the anticipated revenues conservatively.*
- C. *We do not anticipate disbursements of any fund to exceed budgeted amounts this year.*
- D. *Budgets will be prepared for all funds, as required by law.*

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding(s) that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

02-3.**Schedule of Expenditures of Federal Awards**

Federal Grantor: U.S. Department of Agriculture
Pass-Through Grantor: Department of Health
Federal CFDA Number: 10.557
Program Title: Special Supplemental Nutrition Program for Women,
Infants, and Children
Pass-Through Entity
Identifying Number: ERS045-2121, ERS045-3121W
Award Year: 2002
Questioned Costs: Not applicable

Federal Grantor: U.S. Department of Agriculture
Pass-Through Grantor: Office of Administration
Federal CFDA Number: 10.665
Program Title: Schools and Roads – Grants to States
Pass-Through Entity
Identifying Number: Not applicable
Award Year: 2002
Questioned Costs: Not applicable

Federal Grantor: Federal Emergency Management Agency
Pass-Through Grantor: Department of Public Safety
Federal CFDA Number: 83.544
Program Title: Public Assistance
Pass-Through Entity
Identifying Number: FEMA-1412-DR-MO
Award Year: 2002
Question Costs: Not applicable

Section .310(b) of Circular A-133, *Audits of State and Local Government, and Nonprofit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have specific procedures in place to track federal assistance for preparation of the SEFA. For the year ended December 31, 2002, the county's SEFA contained numerous errors and omissions. For example, expenditures relating to several federal grants were reported incorrectly or not included on the schedules and the County Clerk and County Auditor failed to include the required pass-through grantor's number on the programs that were reported. In addition, some non-federal programs were included in the schedule and the county only reported expenditures for 8 of 18 federal programs. As a

result, expenditures were understated by approximately \$258,700 for the year. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and/or officials.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk and County Auditor prepare a complete and accurate schedule of expenditures of federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

County Auditor Yarnell and County Clerk Brown provided the following response:

Due to the fact that neither the new clerk or the new auditor had ever prepared a governmental budget or worked with federal grants, this part of the budget was lacking. In the future, the auditor will prepare an accurate schedule of expenditures of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

CHRISTIAN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Christian County, Missouri, on the applicable findings in the prior audit report issued for the two years ended December 31, 2001.

01-1. Reconciliation of County Records

The County Clerk and County Treasurer were not periodically reconciling their records and investigating differences. The County Commission was not reviewing the County Treasurer's semi-annual settlements.

Recommendation:

The accounting records of the County Clerk and County Treasurer be periodically reconciled and all reconciling items documented and fully investigated. In addition, the County Commission should review and approve the Treasurer's semi-annual settlements.

Status:

Partially implemented. This was not implemented during the audit period, resulting in the beginning cash balances being understated for the year ended December 31, 2002. See finding number 02-2. However, in 2003 the County Auditor established controls related to the reconciling of the County Clerk and County Treasurer's records so any reconciling items are followed up on properly.

01-2. County Financial Records and Procedures

- A. Revenues, expenditures, and beginning cash balances were incorrectly stated for various county funds.
- B. The county did not budget various county funds.
- C. Actual expenditures exceeded budgeted amounts in several county funds.
- D. The estimated ending cash balance was significantly understated for several large county funds.

Recommendation:

The County Commission:

- A. Ensure the budget document contains complete and accurate information about the county's finances and agrees to the County Treasurer's records. In addition, the County Commission and County Clerk should thoroughly review the budget document before it is finalized and filed with the State Auditor's Office.
- B. Ensure budgets are prepared for all county funds as required by state law.
- C. Ensure expenditures are kept within the amounts budgeted. If additional funds are received which could not be estimated when the budget was adopted, the County Commission should amend the budget by following the procedures required by state law.
- D. Estimate receipts and disbursements to closely reflect anticipated actual amounts so that the budget documents present a reasonable estimate of the county's financial plan and ending balances.

Status:

- A. Partially implemented. Although the receipts and disbursements were materially correct, the beginning balances did not agree with the Treasurer's records. See finding number 02-2.
- B, C
&D. Not implemented. See finding number 02-2.

01-3. Published Financial Statements

- A. The county's annual published financial statements did not include financial activity for several county funds, and bond proceeds to construct the new judicial center were not included in the published financial statements.
- B. The annual published financial statements were not published timely.

Recommendation:

The County Commission:

- A. Ensure financial information for all county funds is properly reported in the annual published financial statements in accordance with state law.
- B. Ensure financial statements are published by the first Monday in March of each year.

Status:

- A. Partially implemented. Although the activity from the bond proceeds was properly included in the published financial statements, the county did not publish financial statements for the Election Service Fund, Senior Services Board Fund and Senate Bill 40 Board Fund. Although not repeated in the current MAR, our recommendation remains as stated above.
- B. Implemented.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

CHRISTIAN COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

This section represents the Summary Schedule of Prior Audit Findings, which was prepared by the county's management.

Findings - Two Years Ended December 31, 2001

01-4. Schedule of Expenditure of Federal Awards

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity	
Identifying Number:	ERO045-0121, ERS045-1121W, ERS045-2121
Award Year:	2001 and 2000
Questioned Costs:	Not applicable
Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Office of Administration
Federal CFDA Number:	10.665
Program Title:	Schools and Roads – Grants to States
Pass-Through Entity	
Identifying Number:	Not applicable
Award Year:	2001 and 2000
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Not applicable
Federal CFDA Number:	16.unknown
Program Title:	Equitable Sharing of Seized and Forfeited Property
Pass-Through Entity	
Identifying Number:	Not applicable
Award Year:	2001 and 2000
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-022(6)
Award Year:	2001
Questioned Costs:	Not applicable

The county did not have specific procedures in place to track federal assistance for preparation of the schedule of expenditures of federal awards (SEFA). During the years ended December 31, 2001 and 2000, the county's SEFA contained numerous errors and omissions.

Recommendation:

The County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

Status:

Not implemented. See finding number 02-3.

Findings - Two Years Ended December 31, 1999

99-3. Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Agriculture
Pass-Through Grantor:	Department of Health
Federal CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants, and Children
Pass-Through Entity	
Identifying Number:	ERO45-6121
Award Year:	1999 and 1998
Questioned Costs:	Not applicable
Federal Grantor:	U.S. Department of Justice
Pass-Through Grantor:	Not applicable
Federal CFDA Number:	16.unknown
Program Title:	Equitable Sharing of Seized and Forfeited Property
Pass-Through Entity	
Identifying Number:	Not applicable
Award Year:	1999 and 1998
Questioned Costs:	Not applicable
Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	State Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO-022-5
Award Year:	1998
Questioned Costs:	Not applicable

The county did not have specific procedures in place to track federal assistance for the preparation of the SEFA. During the years ended December 31, 1999 and 1998, the county's SEFA contained numerous errors and omissions.

Recommendation:

The County Clerk prepare a complete and accurate schedule of expenditures of federal awards and submit the schedule to the State Auditor's Office as part of the annual budget.

Status:

Not implemented. See finding number 02-3.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

CHRISTIAN COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Christian County, Missouri, as of and for the year ended December 31, 2002, and have issued our report thereon dated July 31, 2003. We also have audited the compliance of Christian County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002, and have issued our report thereon dated July 31, 2003.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. We did not audit the operations of elected officials with funds other than those presented in the financial statements. The operations of such officials were audited and reported on during the state auditor's last scheduled audit of the county.

Our audit was limited to selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These findings resulted from our audit of the financial statements of Christian County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1.	County Sales Tax
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The annual roll back in property tax levies is not properly classified on the annual levy certification form. In addition, the General Revenue Fund has not benefited from the general revenue sales tax, as one half (approximately \$1.1 million in 2002) is distributed to the Special Road and Bridge Fund, road districts and cities, and the calculation used to distribute these funds is not adequately documented.

- A. In November 1996, voters authorized a ½ cent county sales tax with a ballot restriction that provided the county would annually reduce its property tax levy by 50 percent of the total amount of sales tax collected. Since 1997, the county has rolled back the general revenue and common I and II road districts' property tax levies to zero.

The county is required to compute the annual property tax levy to meet the 50% rollback requirement, and certify to the State Auditor's Office the annual property tax levy including the amount the levy is required to be rolled back, as well as any voluntary roll back. In 2002, the county certified that it voluntarily rolled back the

entire 23-cent general revenue levy to zero and did not certify any required roll back related to sales tax. In addition, there was no documentation maintained to indicate that the County Clerk computed the amount of roll back required due to sales tax revenue.

To ensure the tax levy is properly computed and certified, calculations should be prepared documenting the required sales tax roll back. If the County Commission determines it wants to further reduce the property tax beyond the required roll back, the remaining roll back should be reported as a voluntary roll back.

Given the deteriorating financial condition of the General Revenue Fund, it is imperative that county officials who are responsible for computing and setting the tax levies understand the basic principles and concepts of calculating such levies.

The County Commission should ensure the calculation for the property tax levy is accurate and meets the rollback requirement. In addition, the calculations should be well documented so the intentions of the reductions are clear.

- B. During 2002 the county received approximately \$2.24 million from the ½ cent general sales tax and rolled the general revenue property tax levy to zero resulting in a \$1.24 million property tax reduction. As noted in part A. above, the county is required to roll back their property tax for one half of the sales taxes collected. The common road and special road districts also rolled back their tax levies, resulting in approximately \$274,000 in additional property tax reductions. In addition to rolling back the property tax levy more than what was required, the County Commission transferred \$1.1 million of the general sales tax revenues to the Special Road and Bridge Fund, special road districts, and cities.

The County Commission indicated they believed one half of these general sales tax funds were required to be used for roads; however, they could not provide any documentation legally requiring the distribution of the general sales tax revenue to the road funds. Given the ballot language for the general sales tax, there appears to be no requirement to distribute these monies for road improvements.

Further, the basis for the calculation used to distribute these funds to the various road districts and cities is not adequately documented. While it appears the sales tax monies are distributed based on county road miles, the County Commission could not provide any documentation for the basis of the distribution percentages. (This allocation is also used for the distribution of the county's other ½ cent general sales tax earmarked for road improvements).

Due to the weakening financial condition of the county, the County Commission should review the distribution of the general sales tax revenue and determine if the current distribution percentages are benefiting the appropriate funds.

WE RECOMMEND the County Commission:

- A. Obtain a better understanding of the sales tax rollback requirement and document decisions regarding tax levy reductions, tax levies set, and the intentions with regard to voluntary reductions.
- B. Review the sales tax distribution to determine if it is benefiting the appropriate funds.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *In the future, the tax levy calculations and levy reductions will be properly documented. We have rolled back our tax levy by .2191 for sales tax collections, and approved to levy property taxes of .0113 for the coming year.*
- B. *We are planning to review the sales tax distribution. Due to the fact that fewer dollars are being received from the state, it will be necessary to change the sales tax distribution.*

2. County Expenditures

Controls and procedures over county expenditures need improvement. Bids were not always solicited, controls were not adequate resulting in some questionable expenditures, documentation was not retained for some expenditures, and Form 1099 Miscellaneous was not issued as required. The county does not require mileage or usage logs for all county vehicles to support fuel charges. In addition, the county does not have a written policy on whether sheriff department employees should be provided meals at the county's expense.

- A. Bids were not always solicited in accordance with statute nor was bid documentation always retained for various purchases made by the county during the audit period. Examples of items purchased for which no evidence of bidding could be located are as follows:

<u>Item or Service</u>	<u>Amount</u>
Motor grader	\$96,200
Furniture and shelving	26,061
Food costs for prisoner meals	93,111
Prisoner uniforms and jail bedding	13,359
Moving services	4,814

The County Commission indicated that it did solicit and advertise for bids on the motor grader, but was unable to find the related documentation. Amounts paid for

prisoner meals and uniforms and jail bedding represent the total amount paid during 2002 to various vendors for these items.

Section 50.660, RSMO 2000 requires the advertisement of bids for all purchases of \$4,500 or more, from any one person, firm, or corporation during any period of 90 days. Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all interested parties are given an equal opportunity to participate in county business.

Documentation of bids should always be retained as evidence of the county's established purchasing procedures as well as compliance with statutory requirements. Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, a newspaper publication notice, a copy of all bids received, a summary of the basis and justification for awarding the bid, and documentation of all discussions with vendors.

- B. The County Commission reviews and approves all invoices prior to payment; however, no one independent of the check preparation and signing process compares actual checks written with the approved invoices and requisitions. Although the checks require the signature of the Presiding Commissioner, County Treasurer, and County Clerk, the computer applies the Presiding Commissioner's signature when checks are printed and neither the County Clerk nor the County Treasurer compares the checks to the approved invoices and requisitions.

During our review of expenditures we noted questionable reimbursements paid to the former County Clerk. Two reimbursements totaling \$306 were paid to the former County Clerk, of which one invoice was paid approximately 1 year after the purchase date and one invoice was apparently altered by the former County Clerk after the County Commission approved the invoice.

The County Commission or someone independent of the disbursement process should closely scrutinize all disbursements. Failure to properly review and compare approved invoices and requisitions to checks issued increases the possibility of inappropriate disbursements occurring and not being detected timely.

- C. The county did not retain adequate supporting documentation for several expenditures. Two invoices for professional services, totaling approximately \$10,600, could not be found. Invoices for three expenditures totaling \$6,845 were inadequate, showing little to no detail of services performed. This included mailing service for the County Assessor's office (\$4,500), planning and zoning consulting fees (\$1,325), and contract employee services (\$1,020).

To ensure the validity and propriety of expenditures, adequate supporting documentation should be obtained for all payments to vendors and contracts should be sufficiently detailed to allow the County Commission a basis for adequately monitoring the services received and determining whether the amount paid was reasonable.

- D. Invoices not paid in a timely manner were noted. For example, an invoice totaling \$5,460 for professional services rendered in September 2002 was not paid until January 31, 2003. As a result, this expenditure was applied to the 2003 budget. Good business practices require timely payments of invoices. Failure to make timely payments could result in unnecessary penalties and interest.
- E. Form 1099 Miscellaneous was not prepared by the county for six of nine vendors we reviewed, totaling \$32,400. In addition, the amount on one Form 1099 Miscellaneous did not agree to the county's expenditure records. The County Clerk's office did not have adequate controls to ensure all vendors requiring Form 1099 Miscellaneous were sent one. Sections 6041 and 6051 of the Internal Revenue Code require payments of at least \$600 or more in 1 year to an individual for professional services or for services performed as a trade or business by nonemployees (other than corporations) be reported to the federal government on Form 1099.
- F. The county owns numerous vehicles and, while mileage or usage logs are maintained for some vehicles, the logs do not contain adequate information and are not reconciled to fuel purchases.
 - The county spent over \$94,000 on fueling and maintaining county-owned patrol cars for the year ended December 31, 2002. Vehicle mileage logs and maintenance logs are not adequately maintained by the Sheriff's office for the patrol cars. While deputy activity reports include car number operated and odometer readings, no detailed record by vehicle is kept allowing reconciliation to fuel purchases. In addition, maintenance logs are not kept for each vehicle.
 - The county spent approximately \$61,650 on fuel for the road and bridge fuel tanks for the year ended December 31, 2002. While the road and bridge department maintains fuel logs for each of its tanks, maintenance logs and mileage and usage logs are not maintained for each vehicle. In addition, fuel usage is not reconciled to fuel purchases.
 - The county spent over \$1,400 on fueling and maintaining planning and zoning vehicles for the year ended December 31, 2002. The planning and zoning department does not maintain mileage, usage, or maintenance logs to document vehicle usage or maintenance performed.

Logs are necessary to document appropriate use of the vehicles and to support fuel charges. The logs should include the date, vehicle operator, purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by the County Commission or applicable official to ensure all mileage is recorded and the vehicles are being properly utilized. Information on the logs should be reconciled to fuel purchases and other maintenance charges.

- G. Sheriff department employees are provided meals at no cost from the jail. During July 2003, the jail served 3,972 meals of which 487 (approximately 12 percent of meals served) were for employee meals. Based upon calculations by the sheriff's department, approximately \$340 was spent on employee meals during July 2003; however, this only includes food cost and does not reflect the cost of overhead or labor for food preparation. The jail administrator indicated jail employees and Sheriff secretaries are provided meals because they cannot leave the building during the business day. The county's personnel policy does not address whether employees of the sheriff's department are to be provided meals by the county. A written personnel policy addressing this issue is necessary to provide assurance all employees are treated equitably and to prevent misunderstandings.

Conditions similar to Parts A and F were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of bids. If bids cannot be obtained and sole source procurement is necessary, or the low bid is not selected, these circumstances should be documented in the commission minutes.
- B. Ensure someone independent of the check preparation and signing process compares actual checks written with the approved invoices and requisitions.
- C. Require adequate supporting documentation prior to approving expenditures for payment.
- D. Ensure invoices are paid in a timely manner.
- E. Issue IRS Forms 1099 Miscellaneous as required by the Internal Revenue Code.
- F. Require the road and bridge, planning and zoning, and sheriff's departments to maintain usage logs on all county vehicles which identify the vehicle operator, dates of use, miles driven, destination and purpose of trips, and the fuel and maintenance expenses incurred. In addition, fuel usage should be compared to the number of miles driven to evaluate reasonableness and the fuel efficiency of the county's vehicles, and road and bridge fuel usage should be reconciled to fuel purchases.

- G. Review whether sheriff department employees should be provided meals at the county's expense and if necessary, update the county personnel policy.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *The county has a purchasing agent and we are trying to obtain bids for all items according to state statutes. We will be working to assure that all bids are listed in the minutes of the weekly meetings.*
- B. *The County Auditor will work out a system of checking the approved invoices with the written checks.*
- C. *Some office holders are reluctant to use the requisition system that is currently in place. We will continue to encourage using the requisitions. We have established controls to help ensure documentation is obtained prior to approving expenditures.*
- D. *The County Clerk's office is improving and paying invoices more timely. In the past couple of weeks, the longest date is 40 days from the time the invoice was received until paid. Again, this is improving.*
- E. *The County Clerk's current accounts payable employee has a much better grasp of whom should receive a 1099.*
- F. *We have begun paperwork to establish a fuel card to enable us to track the mileage and fuel used in all county vehicles. The county road employees are already providing monthly reporting of fuel usage. This will be compared with either the gas used from bulk or the fuel card.*
- G. *We will address the Sheriff department meal expense and establish a written policy.*

3. Personnel and Payroll Procedures
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Some payroll expenditures were processed without supporting documentation and the county did not always comply with their policies related to compensatory and holiday leave. In addition, the county incurred penalties for not submitting payroll taxes timely.

- A. The County Commission processes payroll for all employees even though there is not adequate supporting documentation for salaried employees to support these payroll expenditures. Although hourly-paid employees prepare time sheets, salaried employees are not required to submit a time sheet or any other record of actual time worked. In addition, leave records are not maintained for these employees. Salaried employees include the emergency management director, emergency 911 director, an assistant prosecuting attorney and seven Sheriff employees.

Timesheets are necessary to document hours actually worked and substantiate payroll expenditures. To support payroll expenditures, the county should require all employees to prepare detailed timesheets.

- B. The County Commission has established policies for leave and compensatory time benefits; however, the county does not always comply with the various policies. In addition, the County Commission does not review and approve payroll expenditures and some employees were paid excess wages. Payroll is processed by the County Clerk's office and according to the County Clerk it is the payroll clerk's responsibility to ensure employees are paid in accordance with county policy.

1. Wages were paid for compensatory and holiday time to employees who had not reached the maximum hours allowed to be accrued. This violated county policy and resulted in the county paying excess payroll expenditures. County policy indicates that compensatory and holiday leave is to be used as time off and will be paid as excess wages only after the employee has reached the maximum accrual.

One Sheriff Department employee was paid for 4 hours of vacation, 36 hours of compensatory time, and 12 hours of holiday leave even though the maximum accrual had not been reached. Controls over payroll are inadequate and the county is unsure of total wages paid for the various leave accruals; however, for one 2 week period ending December 7, 2002 we noted \$2,618 paid for leave balances to employees who had not reached their maximum accrual.

2. Some county employees used compensatory time in excess of their balance, resulting in negative compensatory balances. For example, the January 13, 2003 payroll detail report showed one employee with a negative compensatory leave balance of 41.5 hours. The employees with negative compensatory leave had accrued annual, sick or holiday leave they were not required to take. All available leave should be used, rather than allowing employees to maintain negative leave balances. Should employees require leave in excess of their balances, it appears the employee should be placed on leave-without-pay status.

Adherence to the county's personnel policy is necessary to ensure the cost incurred by the county for overtime payments or compensatory time off does not exceed the amounts allowed by policy. In addition, as noted in MAR finding number 2.B.,

someone independent of the check preparation and signing process should compare actual checks with approved amounts and adequate controls over payroll should be established to ensure payroll transactions are appropriate.

- C. The county withholds social security, medicare, and federal income taxes from employee wages and deposits them at the local bank. The county failed to deposit federal payroll taxes timely and as a result, penalties and interest totaling \$650 were assessed and paid during 2002 and \$3,238 has been paid for 2003 as of August 1. Timely deposits of tax withholdings prevents unnecessary penalty and interest charges.

Payroll transactions should be closely monitored to ensure taxes are remitted timely and penalties investigated so that the county does not incur future penalties or erroneous penalties. The county's failure to do so has resulted in \$3,888 of unnecessary penalty and interest charges.

WE RECOMMEND the County Commission:

- A. Require all county employees to prepare detailed time sheets and maintain adequate leave balances for all employees.
- B. Establish adequate controls over payroll transactions and ensure compensatory time is handled in accordance with county policy.
- C. Ensure payroll taxes are deposited timely to avoid unnecessary penalties and interest charges. In addition, any questionable penalties should be adequately investigated.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We have established a policy that timesheets are to be turned in each pay period on all employees. The only individuals receiving a county paycheck that do not fill out a timesheet are elected officials.*
- B. *We have a new policy manual, which addresses compensatory time. We have established controls to help ensure payroll transactions are in accordance with county policy.*
- C. *The county is currently using the Electronic Funds Transfer Payment Systems (EFTPS) to expedite payroll taxes.*

Prior audit reports have addressed the inadequacy of the County Commission's official minutes. While the County Commission responded to previous audits that recommendations would be implemented, conditions have not improved.

The County Commission does not maintain adequate minutes of its meetings to demonstrate how the Commissioners are complying with the Sunshine Law. Unofficial minutes from meetings are kept by the County Commission's secretary and are used to prepare the official minutes for the record book. As of July 21, 2003, the last approved, official minutes were for April 10, 2003. For the months of April and May, the County Commissioners did not have a secretary and one of the Associate Commissioners documented motions made by the County Commission. However, these minutes are unofficial, manual notes that have not been added to the official record book. The County Commission hired a secretary at the end of May and although she has typed some minutes for June and July, they have not been approved by the County Commissioners and added to the official record book. In addition, minutes do not exist for some scheduled County Commission meetings.

Section 610.023(2), RSMo 2000, states that each public governmental body shall make available for inspection and copying by the public of that body's public records. Because the official minute book is not updated timely, the only record of the County Commission meetings available to the public is the unofficial notes. By maintaining an accurate record of County Commission proceedings the county demonstrates compliance with statutory provisions related to issues such as budget approval, the Sunshine Law, (Chapter 610, RSMo), bidding, and purchasing decisions.

Pursuant to Section 51.120 RSMo 2000, the Clerk of the County Commission is to maintain an accurate record of orders, rulings, and proceedings of the County Commission. Accurately documenting the members present provides assurance as to the accuracy and authenticity of the official County Commission minutes. Timely approval not only adds assurance to the authenticity of official minutes, but also allows a review of the contents to ensure the minutes include all important information regarding the meetings held.

A similar condition was noted in our prior report.

WE RECOMMEND the County Commission ensure a formal and complete record of County Commission meetings is made and approved on a timely basis.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will do better in completing and approving minutes on a timely basis. Currently, all minutes are up to date and we will be keeping all minutes according to statute.

5.**General Fixed Assets and Computer Controls**

- A. The County Commission or its designee is responsible for maintaining a complete detailed record of county property. Currently, the County Auditor maintains a computerized inventory listing of fixed assets held by county officials. However, during our review of equipment purchases we noted 8 of 13 items that either were not recorded on the county's general fixed asset listing or were recorded but a value was not assigned. These items were purchased for approximately \$167,000, and included Emergency 911 equipment, chairs for the judicial facility, courtroom conference tables and chairs, and two laptop computers. We also noted that additions to the inventory listing are not reconciled to equipment expenditures to ensure all fixed assets are properly recorded.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property.

Section 55.160, RSMo 2000, requires the county auditor to keep an inventory of all county property under the control and management of the various offices and departments and to annually take an inventory of such property at an original value of \$250 or more showing the amount, locations, and estimated value thereof.

A similar condition was noted in our prior report.

- B. The County Clerk maintains backup disks of county financial and payroll information (including records of the county treasurer and county auditor) to provide a means of recreating information; however, the disks are not stored at an off-site location. As a result, they are susceptible to the same damage as the master files. Back-up disks should be maintained and stored off-site to provide increased assurance that any lost data can be recreated.

WE RECOMMEND the County Commission:

- A. Establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.
- B. And the County Clerk ensure backup disks are prepared and stored in a secure, off-site location.

AUDITEE'S RESPONSE

The County Commission and County Clerk Brown provided the following responses:

- A. The County Auditor has begun working with establishing the fixed asset listing. Currently, all but two offices have turned in their fixed asset listing. The County Auditor will be going from office to office to make a physical inventory and place numbers on each item.*
- B. The County Clerk is taking disks off site once a week.*

6. Senior Services Board

The budgets prepared by the Senior Services Board were incomplete and collateral securities were not pledged for deposits in excess of the Federal Deposit Insurance Corporation (FDIC).

- A. Budgets prepared by the Senior Services Board were incomplete and did not adequately inform the public of the financial status of the board. The 2003 budget document had mathematical errors, resulting in inaccurate totals for expenditures, and did not include a cash reconciliation page. In addition, actual expenditures included cash on hand and reserve fund monies. The 2002 budget did not include a cash reconciliation page or beginning available resources and was not filed with the State Auditor's office.

Chapter 50, RSMo 2000, requires the preparation of annual budgets to present a complete financial plan for the ensuing year. In addition, to be of maximum assistance to the Senior Services Board and to inform the public adequately, the budget documents should be complete and accurate.

- B. Collateral securities were not pledged by the Senior Services Board's depository bank for deposits in excess of the (FDIC) coverage leaving the board unsecured and subject to loss in the event of bank failure. During January 2003, the Senior Services Board's bank balance exceeded FDIC coverage by approximately \$172,600.

Section 110.020, RSMo 2000, requires the value of securities pledged to be at all times not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave board funds unsecured and subject to loss in the event of bank failure.

WE RECOMMEND the Senior Services Board:

- A. Ensure that budgets are prepared in accordance with state law.
- B. Ensure collateral securities are pledged for all deposits in excess of FDIC coverage.

AUDITEE'S RESPONSE

The Senior Services Board provided the following responses:

- A. *Future budgets will be proofed for accuracy and will be prepared in accordance with statutes. Recommendation will be implemented December 1, 2003.*
- B. *Due to a misunderstanding with the bank officer, separate collateral was not obtained. Effective July 19, 2003, adequate additional collateral has been obtained that is separate from the county's "blanket" collateral.*

Follow-Up on Prior Audit Findings

CHRISTIAN COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Christian County, Missouri, on the applicable findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2001.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Expenditures and Mileage Logs

- A. The county did not solicit or advertise for bids for some purchases or ensure all efforts to obtain bids were adequately documented.
- B. The county did not adequately maintain mileage or usage logs or maintenance logs on Road and Bridge vehicles, or county owned vehicles used by the Planning and Zoning Department, Assessor's office, and Sheriff's office. While fuel logs were maintained for Road and Bridge vehicles, fuel usage was not reconciled to fuel purchases.
- C. The County Commission authorized expenditures to local restaurants from the General Revenue Fund for the annual Christmas luncheons for county employees.

Recommendation:

The County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain adequate documentation of bids. If bids cannot be obtained and sole source procurement is necessary, or the low bid is not selected, these circumstances should be documented in the commission minutes.
- B. Require the road and bridge department, planning and zoning department, assessor's office, and sheriff's office to maintain usage logs on all county vehicles which identify the vehicle operator, dates of use, miles driven, destination and purpose of trips, and the fuel and maintenance expenses incurred. In addition, fuel usage should be compared to the number of miles driven to evaluate reasonableness and the fuel efficiency of the county's vehicles, and Road and Bridge fuel usage should be reconciled to fuel purchases.
- C. Ensure all expenditures of county monies are a necessary and prudent use of public funds.

Status:

- A. Not implemented. See MAR finding number 2.
- B. Partially implemented. The Assessor's office maintains usage logs, however, the road and bridge, planning and zoning, and sheriff's departments do not have usage logs. In addition, road and bridge fuel usage logs are not reconciled to fuel purchases. See MAR finding number 2.
- C. Not implemented. See finding number 02-1.

2. County Procedures and Written Agreements

- A. Additions and abatements of personal property taxes were not approved or reviewed by the County Commission.
- B. The contracts with the special road districts and cities which required the county sales tax monies to be used for the construction and repair of roads did not provide the County Commission with a system of monitoring the political subdivisions' use of the county monies.
- C. The county shared the cost of chipping and sealing roads with county residents requesting road projects; however the county did not have a written policy defining the amounts to be charged for county road projects and how road projects were prioritized.

Recommendation:

The County Commission:

- A. Review and approve all additions and abatements, as they occur, prior to changes being made to the tax book information.
- B. Obtain written agreements with the special road districts and the cities which allow the County Commission to monitor the political subdivisions' expenditures of the county monies, and document the review of financial information regarding the use of these monies.
- C. Establish a formal written policy for providing chipping and sealing services and develop a system to ensure that the county is receiving adequate reimbursement for such services.

Status:

A, B
&C. Implemented.

3. County Commission Minutes

The County Commission did not maintain adequate minutes of its meetings. The official record book was not up to date and several official minutes appeared to be incomplete and were generally vague.

Recommendation:

The County Commission ensure a formal and complete record of County Commission meetings is made and approved on a timely basis.

Status:

Not implemented. See MAR finding number 4.

4. County Officials' Compensation and Bonding

- A. Associate County Commissioners received a mid-term salary increase in accordance with Section 50.333.13, RSMo, enacted in 1997. In May 2001 the Missouri Supreme Court challenged the validity of that statute and held that this section of statute violated Article VII, Section 13 of the Missouri Constitution.
- B. Several county employees from various offices with access to money were not covered by an employee bond.

Recommendation:

The County Commission:

- A. Review the impact of this court decision and develop a plan for obtaining repayment of the salary overpayments.
- B. Obtain adequate bond coverage for all county employees with access to monies.

Status:

- A. Not implemented. The County Commission does not plan to take any action to obtain repayment from the Associate Commissioners. Although not repeated in the current MAR, our recommendation remains as stated above.

B. Implemented.

5. General Fixed Assets

Fixed asset records were not properly maintained. Various fixed asset purchases were not recorded on the fixed asset listing.

Recommendation:

The County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.

Status:

Not implemented. See MAR finding number 5.

6. Construction of New Judicial Center

The county did not solicit proposals for bond underwriter services for leasehold revenue bonds issued in September 2000 for the purpose of constructing a new judicial center.

Recommendation:

The County Commission ensure proposals are solicited for professional services and maintain adequate documentation of the various proposals received.

Status:

Implemented. Although the county did not utilize underwriter services during the audit period, we noted that the county requested proposals for other professional services utilized.

13. Senate Bill 40 Board

The chairperson and secretary of the Senate Bill 40 Board also served on the board of not-for-profit (NFP) organizations which received funding from the Senate Bill 40 Board. Although the Senate Bill 40 Board members indicated they abstained from voting on issues related to the NFP's they serve, these abstentions were not documented in the Board minutes.

Recommendation:

The Senate Bill 40 Board ensure members do not have administrative or financial ties with its funding recipients. If Senate Bill 40 Board members serve on the boards of funding recipients, they should either remove themselves from one of the boards or ensure that

minutes of board meetings clearly indicate that they are abstaining from voting on funding requests for these entities and have no involvement in monitoring their NFP board's activities on behalf of the Senate Bill 40 Board.

Status:

Implemented.

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